

Message Text

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ORIGIN STR-04

INFO OCT-01 IO-13 ISO-00 STRE-00 AGRE-00 COME-00 LAB-04
TRSE-00 EB-07 SIL-01 FEA-01 CEA-01 CIAE-00 DODE-00
FRB-03 H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05 PA-01
AID-05 CIEP-01 SS-15 ITC-01 USIA-06 PRS-01 SP-02
OMB-01 /089 R

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TREASURY: E.BARBER

STATE: R.WHITE

-----150426Z 051480 /72

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FM SECSTATE WASHDC

TO USDEL MTN GENEVA PRIORITY

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E.O. 11652: N/A

TAGS: ETRD, MTN,

SUBJECT: COMMENTS ON CHUMAS DRAFT

REFERENCES: NEWKIRK-WILSON TELECON, JANUARY 14, 1977

1. WE HAVE GIVEN PRELIMINARY CONSIDERATION TO CHUMAS' DRAFT
ON CUSTOMS VALUATION AND SUGGEST THAT NEWKIRK MAKE THE FOL-
LOWING POINTS TO CHUMAS AT THEIR MONDAY MEETING REGARDING
THE DRAFT:

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(A) WE APPRECIATE CHUMAS' EFFORTS AT TRYING TO FACILITATE
THE ONGOING WORK ON VALUATION IN THE MTN. WE ATTACH A GREAT
DEAL OF IMPORTANCE TO HIS DRAFT AND ARE GIVING CAREFUL
CONSIDERATION TO IT.

(B) OUR INITIAL REACTION IS THAT THE CHUMAS DRAFT RAISES A

NUMBER OF FUNDAMENTAL QUESTIONS THAT REQUIRE FURTHER CLARIFICATION BEFORE WE CAN GIVE ANY INDICATION AS TO WHETHER THE DRAFT COULD SERVE AS A USEFUL BASIS FOR NEGOTIATION. IT WOULD BE HELPFUL IF CHUMAS COULD GIVE US FURTHER INFORMATION AS TO HIS VIEWS ON THESE FUNDAMENTAL QUESTIONS.

(C) WE ANTICIPATE THAT, IF CHUMAS CAN OFFER SUCH INFORMATION, WE WILL HAVE A DETAILED LIST OF SPECIFIC QUESTIONS ON HIS DRAFT IN THE NEAR FUTURE. THE FUNDAMENTAL QUESTIONS THAT ARE OF IMMEDIATE CONCERN INCLUDE:

(1) TO WHAT EXTENT IS CHUMAS COMMITTED TO A NOTIONAL BASIS OF VALUE? IF WE ARE TO ADHERE TO THOSE PRINCIPLES DISCUSSED IN THE CUSTOMS MATTERS SUBGROUP, SHOULDN'T A MORE PRACTICAL AND EASILY ADMINISTERED BASIS OF VALUE BE SOUGHT? BEGIN FYI. ALTHOUGH THERE IS STILL NO USG POSITION ON THIS ISSUE, CERTAIN KEY AGENCIES FAVOR A TRANSACTION (OR INVOICE) VALUE. END FYI.

(2) IN OUR VIEW THE DRAFT DOES NOT SUBSTANTIALLY ADDRESS THE ISSUE OF SALES BETWEEN RELATED PARTIES. COULD CHUMAS OFFER ANY MORE DETAIL ON HOW HE BELIEVES THIS ISSUE SHOULD BE HANDLED?

(3) AS AN ALTERNATIVE BASIS OF VALUE, THE DRAFT PROPOSES THE EQUIVALENT OF U.S. VALUE, CONSIDERED BY SOME AS CUMBERSOME. IT EXPRESSLY PROHIBITS THE USE OF CONSTRUCTED VALUE, WHICH IS CONSIDERED BY SOME TO BE A MORE VIABLE ALTERNATIVE. SHOULD NOT A NEW INTERNATIONAL SYSTEM ALLOW LIMITED OFFICIAL USE

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FOR A CHOICE OF FALLBACKS?

2. CONCERNING PROCEDURAL MATTERS, WE UNDERSTAND CHUMAS' DISCUSSION PAPER TO PROPOSE THAT THE GATT INSTRUMENT WOULD BE A BODY OF RULES THAT THE CUSTOMS COOPERATION COUNCIL WOULD BE ASKED TO INCORPORATE INTO A NEW CONVENTION AND ADMINISTER. CHUMAS SHOULD BE ASKED TO COMMENT ON THIS INTERPRETATION.

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